

June 23, 1948.

Chairman McCabe

NAC telephone poll

Lewis N. Dambitz

A poll of NAC members has been requested by this afternoon on the following matter, and if you will inform me as to how you wish to vote, I shall communicate your decision to the Treasury:

The NAC has been asked to advise ECA on the rate of exchange that the German authorities should use in making deposits of local currency in special accounts in connection with ECA assistance. The NAC recently transmitted advice to ECA regarding the rates to be used by France, Italy and several other countries.

The German problem is complicated because Germany (like Japan) has no official commercial rate of exchange, and because the designation of any single rate for purposes of this special account might seem to foreclose the eventual selection of this rate as the official commercial rate.

The solution proposed by the NAC Staff Committee, therefore, is not really a satisfactory one, but I think it is the best that we can do for the present. It provides that

"pending the establishment of an official commercial rate of exchange for the German mark, local currency deposits equivalent to ECA assistance to Germany should be based on the appropriate official internal prices of the commodities supplied."

Should the German currency reform now in progress result in the immediate establishment of an official commercial rate, this action will become obsolete. However, in view of current uncertainties, it would seem desirable for the NAC to approve the proposed action now for forwarding to ECA.

LND/ec